

Department of Insurance

Analyst: Swanson

Historical Summary

OPERATING BUDGET	FY 2006 Total App	FY 2006 Actual	FY 2007 Approp	FY 2008 Request	FY 2008 Gov Rec
BY PROGRAM					
Insurance Regulation	6,005,900	5,467,500	6,246,300	6,258,000	6,187,200
State Fire Marshal	1,084,100	970,600	1,089,500	1,334,200	1,073,000
Total:	7,090,000	6,438,100	7,335,800	7,592,200	7,260,200
BY FUND CATEGORY					
Dedicated	6,871,600	6,135,000	7,096,800	7,347,400	7,015,200
Federal	218,400	303,100	239,000	244,800	245,000
Total:	7,090,000	6,438,100	7,335,800	7,592,200	7,260,200
Percent Change:		(9.2%)	13.9%	3.5%	(1.0%)
BY OBJECT OF EXPENDITURE					
Personnel Costs	4,426,700	4,054,300	4,378,400	4,613,200	4,565,500
Operating Expenditures	2,331,800	2,147,400	2,734,100	2,787,200	2,502,900
Capital Outlay	329,000	225,800	220,800	183,800	183,800
Trustee/Benefit	2,500	10,600	2,500	8,000	8,000
Total:	7,090,000	6,438,100	7,335,800	7,592,200	7,260,200
Full-Time Positions (FTP)	71.50	71.50	73.00	73.00	73.00

Department Description

The mission of the Department of Insurance is to equitably, effectively and efficiently administer the Idaho Insurance Code and the International Fire Code. The department fulfills its mission and duties through three regulatory bureaus and an administrative group consisting of the director's office and supporting services.

Company Activities Bureau: This bureau monitors the financial condition of all insurance entities conducting business in the state of Idaho to assure that each complies with Idaho law and that the financial obligations of the company to its policyholders will be met. The bureau also reviews insurance policy rates and forms, and collects and audits all insurance premium tax and fee returns.

Consumer Services Bureau: This bureau licenses and administers the applicable continuing education program for insurance agents, brokers, insurance counselors, third party administrators, adjusters and managing general agents. The bureau analyzes consumer and industry complaints and provides assistance to consumers, the insurance industry and other law enforcement agencies on matters involving insurance contracts and potential violations of the Insurance Code. Information, counseling and assistance are provided to Idaho's senior citizens through a network of over 300 senior citizen volunteers and a toll-free 800 number.

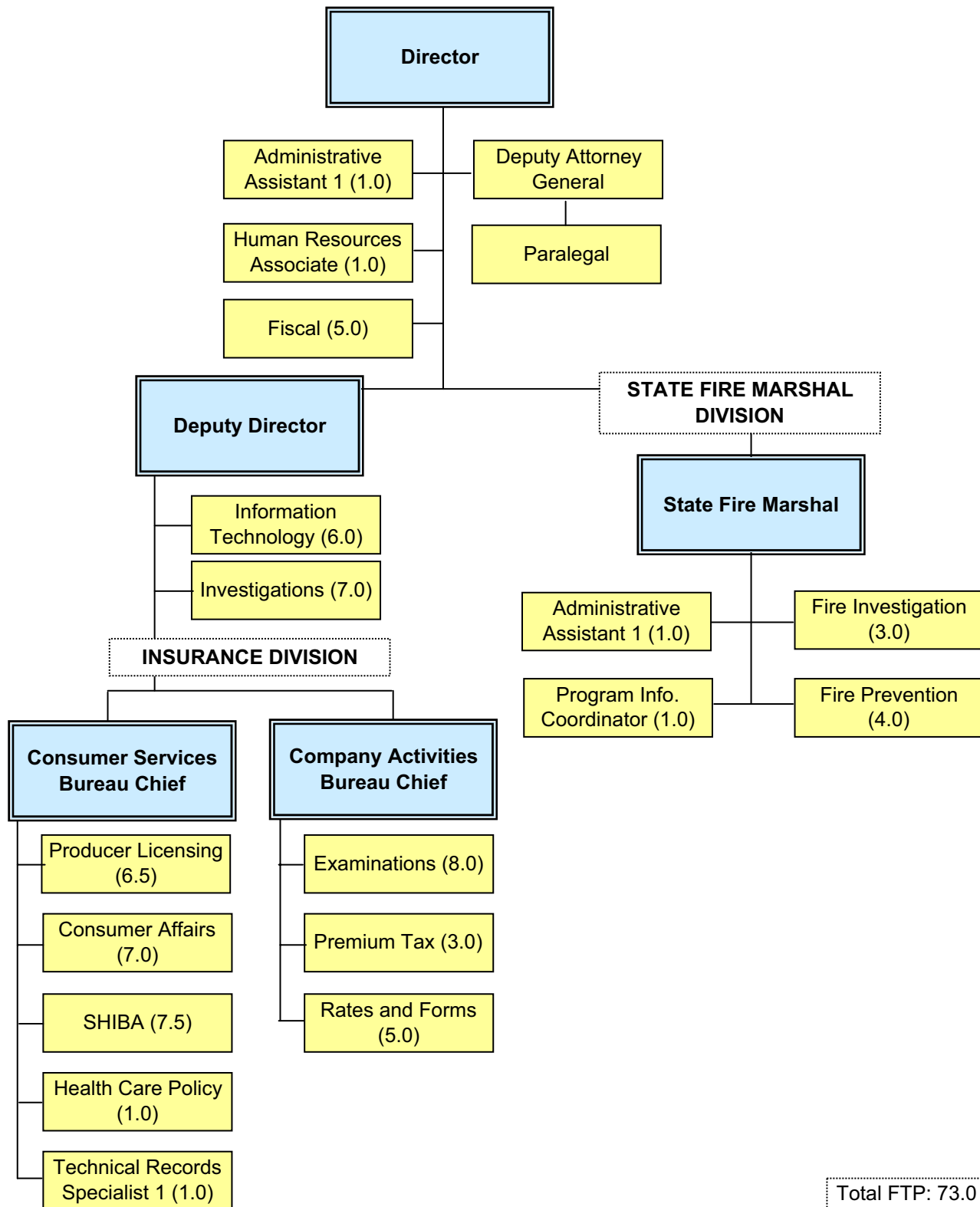
State Fire Marshal: The State Fire Marshal's office participates in and coordinates an integrated statewide system designed to protect human life from fire and explosions through fire prevention and the investigation of fires. The program involves fire prevention activities, arson investigations, and the operation of various statistical systems, including the Idaho Fire Incident Reporting System.

Department of Insurance

Agency Profile

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Organizational Chart



Department of Insurance

Agency Profile

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Sources/Uses of Funds	FY 2007 Original Appropriation
Self Governing Operating: Fees, licenses and miscellaneous charges assessed on the insurance industry.	\$5,913,000
Self Governing State Fire Marshal: Penalties collected as authorized by law; a portion of the continuation fee collected from insurers; other monies or revenues derived from whatever source for arson or fraud investigation or fire prevention; and interest earned on the investment of the fund.	\$1,089,500
Federal Grant: Grant funds provided by Health Care Financing Administration, U.S. Department of Health and Human Services - Cooperative Agreement Project Grant.	\$239,000
Miscellaneous Revenue: Funding as a sub-grantee of the Office on Aging.	\$94,300
Total Appropriation	<u>\$7,335,800</u>

Selected Measures

CASE MANAGEMENT/SERVICES PROVIDED	FY 2003	FY 2004	FY 2005	FY 2006
COMPANY ACTIVITIES BUREAU				
Examinations Performed	14	5	5	4
Title Exams Performed	23	20	5	20
Policy Forms Filed	50,335	46,797	44,066	39,300
Companies Admitted/Listed	75	72	78	80
Companies Withdrawn/Suspended/Revoked	47	53	26	29
Total Companies Regulated	1,819	1,765	1,834	1,962
CONSUMER SERVICES BUREAU				
Producer Licensing				
Applications Received	9,732	11,108	10,384	16,133
Licenses Issued	8,526	10,880	10,039	16,178
Continuing Education Courses Received	2,086	1,888	2,193	2,507
Consumer Affairs				
Complaints Received	1,341	1,396	1,284	953
Telephone Inquiries	11,645	11,543	10,507	8,876
Senior Health Ins. Benefit Advisors (SHIBA)				
Individual Counseling Hours	2,606	4,410	3,708	8,248
Audience Group Sessions	91,402	106,003	239,470	198,939
Telephone Inquiries	21,453	25,018	24,363	17,565
Investigations				
New Cases	247	288	253	193
Cases Referred	64	69	73	31
Convictions	35	35	17	14
Property Recovered	\$7.3M	\$10.9M	\$8.5M	\$729,900
STATE FIRE MARSHAL				
Official Contacts	1,986	1,780	1,464	1,600
Fire Investigations	127	91	111	115
Fire Code Inspections	109	114	137	140
Sprinkler Plan Reviews	217	359	192	200
Classes Taught	30	25	19	25

Department of Insurance

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PREMIUM TAX DISTRIBUTION

The Department of Insurance is responsible for administering and collecting a tax assessed on all insurance premiums. This tax collected from authorized insurers is in lieu of all other state and local taxes with the exception of real property tax. (Idaho Code §41-405)

Revenue from the premium tax is distributed to the following funds:

Insurance Refund: Used to reimburse insurers for overpayment of taxes, fines, penalties, etc.

PERSI: Idaho Code Section 59-1304 provides that at least 50% of the gross tax on fire insurance premiums is used to partially fund the firefighter retirement system. Currently, 100% of the gross tax on fire insurance is used for this purpose.

High Risk Insurance Pool: If premium tax revenue exceeds \$45 million after all other deductions, 25% of the excess goes into the Individual High Risk Insurance Pool to pay the costs associated with providing health insurance coverage to high risk individuals regardless of health status or claims experience.

Idaho Health Insurance Access Card: If premium tax revenue exceeds \$55 million, 25% of the excess goes to the Idaho Health Insurance Access Card Fund, with 80% going to CHIP Plan B and the children's access card program, and 20% (not to exceed \$1.2 million) to the small business health insurance pilot program.

General Fund: The balance of the premium tax, fines and penalties are distributed to the General Fund.

DISTRIBUTION OF PREMIUM TAX REVENUES FY 2005 - FY 2008

	FY 2005	FY 2006	FY 2007*	FY 2008*
General Fund	\$61,671,700	\$60,855,400	\$58,503,800	\$57,315,400
Insurance Refund	\$5,738,600	\$6,036,800	\$5,009,200	\$4,921,000
PERSI	\$4,268,600	\$4,155,300	\$4,321,500	\$4,494,400
High Risk Insurance Pool	\$6,411,100	\$6,177,500	\$5,413,400	\$4,817,700
Access Card	\$3,885,100	\$3,677,500	\$2,913,400	\$2,317,700
Total	\$81,975,100	\$80,902,500	\$76,161,300	\$73,866,200

**Estimate based on projected revenues and expenses.*

NOTE: Distributions can exceed actual revenues slightly, depending on the amount of fees collected by the agency. Idaho Code §41-401(3)(e) provides that "at the beginning of each fiscal year, those moneys in the Insurance Administrative Account which exceed the current year's appropriation plus any residual encumbrances made against prior years' appropriations by twenty-five percent (25%) or more shall be transferred to the general [fund]."

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Comparative Summary

Decision Unit	Agency Request			Governor's Rec		
	FTP	General	Total	FTP	General	Total
FY 2007 Original Appropriation	73.00	0	7,335,800	73.00	0	7,335,800
Non-Cognizable Funds and Transfers	0.00	0	18,500	0.00	0	18,500
FY 2007 Estimated Expenditures	73.00	0	7,354,300	73.00	0	7,354,300
Removal of One-Time Expenditures	0.00	0	(239,300)	0.00	0	(239,300)
Base Adjustments	0.00	0	0	0.00	0	0
FY 2008 Base	73.00	0	7,115,000	73.00	0	7,115,000
Benefit Costs	0.00	0	103,800	0.00	0	0
Inflationary Adjustments	0.00	0	34,300	0.00	0	0
Replacement Items	0.00	0	183,800	0.00	0	183,800
Statewide Cost Allocation	0.00	0	(225,700)	0.00	0	(225,700)
Change in Employee Compensation	0.00	0	131,000	0.00	0	187,100
FY 2008 Program Maintenance	73.00	0	7,342,200	73.00	0	7,260,200
1. Safety/Fire Prevention & Ed. Grant Prog.	0.00	0	250,000	0.00	0	0
FY 2008 Total	73.00	0	7,592,200	73.00	0	7,260,200
Change from Original Appropriation	0.00	0	256,400	0.00	0	(75,600)
% Change from Original Appropriation			3.5%			(1.0%)

Department of Insurance

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Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
FY 2007 Original Appropriation	73.00	0	7,096,800	239,000	7,335,800

Non-Cognizable Funds and Transfers

Increase in funding from federal grants.

Agency Request	0.00	0	0	18,500	18,500
Governor's Recommendation	0.00	0	0	18,500	18,500

FY 2007 Estimated Expenditures					
Agency Request	73.00	0	7,096,800	257,500	7,354,300
Governor's Recommendation	73.00	0	7,096,800	257,500	7,354,300

Removal of One-Time Expenditures

Remove funding provided for one-time items.

Agency Request	0.00	0	(220,800)	(18,500)	(239,300)
Governor's Recommendation	0.00	0	(220,800)	(18,500)	(239,300)

Base Adjustments

Agency Request	0.00	0	0	0	0
Governor's Recommendation	0.00	0	0	0	0

FY 2008 Base					
Agency Request	73.00	0	6,876,000	239,000	7,115,000
Governor's Recommendation	73.00	0	6,876,000	239,000	7,115,000

Benefit Costs

Restores funding for premium holidays taken in FY 2007 estimated at \$865 per employee. Also includes the employer-paid portion of estimated changes in employee benefit costs including \$350 per employee for health insurance.

Agency Request	0.00	0	103,800	0	103,800
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The Governor recommends that all health insurance related adjustments be funded by program changes or utilizing reserves available in the group insurance contract. As the PERSI Board voted to maintain the current contribution rate for the upcoming fiscal year, no adjustment to retirement rates is necessary.

Governor's Recommendation	0.00	0	0	0	0
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Inflationary Adjustments

This customized inflationary adjustment is a 1.26% increase over base operating expenditures. It is calculated by subtracting statewide allocation plan costs and applying a 1.81% increase for all remaining operating costs.

Agency Request	0.00	0	32,700	1,600	34,300
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Inflationary increases are provided only for contractual obligations such as leased space costs. Other inflationary requests are not recommended.

Governor's Recommendation	0.00	0	0	0	0
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Replacement Items

INSURANCE REGULATION

Replacement items include: 24 PCs (\$1,650 each/\$39,600 total); four notebook computers (\$3,000 each/\$12,000 total); two mission critical servers (\$20,000 each/\$40,000 total); one secondary server (\$8,000); one field office server (\$4,000); two large capacity printers (\$7,750 each/\$15,500 total); one workgroup laser printer (\$3,300); two personal laser printers (\$800 each/\$1,600 total); one fax machine (\$1,500); switches and routers (\$8,600); and other miscellaneous equipment (\$800).

STATE FIRE MARSHAL

Replacement items include: three PCs (\$1,650 each/\$5,000 total); three notebook computers (\$3,000 each/\$9,000 total); one combination printer/copier/scanner (\$7,700); one personal laser printer (\$800); one digital projector (\$1,400); and one vehicle (\$25,000).

Agency Request	0.00	0	183,800	0	183,800
Governor's Recommendation	0.00	0	183,800	0	183,800

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Budget by Decision Unit	FTP	General	Dedicated	Federal	Total
Statewide Cost Allocation					
This decision unit includes adjustments for services provided by state agencies as follow: a decrease of \$228,700 for Attorney General fees, and increases of \$2,600 for State Controller fees, \$300 for State Treasurer fees, and \$100 for property and casualty insurance premiums.					
Agency Request	0.00	0	(225,700)	0	(225,700)
Governor's Recommendation	0.00	0	(225,700)	0	(225,700)
Change in Employee Compensation					
Reflects the calculated cost of a 3.5% salary increase for permanent and group positions.					
Agency Request	0.00	0	126,800	4,200	131,000
The Governor recommends a compensation increase of 5% to be distributed based on merit.					
Governor's Recommendation	0.00	0	181,100	6,000	187,100
FY 2008 Program Maintenance					
Agency Request	73.00	0	7,097,400	244,800	7,342,200
Governor's Recommendation	73.00	0	7,015,200	245,000	7,260,200
1. Safety/Fire Prevention & Ed. Grant Prog.			State Fire Marshal		
The Department of Insurance is requesting \$250,000 in ongoing operating expenditures to establish a grant program to fund fire safety and prevention education programs across the state. Current State Fire Marshall staff would facilitate the program from the Boise office, with regional deputies monitoring program results. The department believes that the majority of requests for grant funds will come from local fire agencies who would provide education to the citizens and businesses of Idaho.					
Agency Request	0.00	0	250,000	0	250,000
Not recommended by the Governor.					
Governor's Recommendation	0.00	0	0	0	0
FY 2008 Total					
Agency Request	73.00	0	7,347,400	244,800	7,592,200
Governor's Recommendation	73.00	0	7,015,200	245,000	7,260,200
Agency Request					
Change from Original App	0.00	0	250,600	5,800	256,400
% Change from Original App	0.0%		3.5%	2.4%	3.5%
Governor's Recommendation					
Change from Original App	0.00	0	(81,600)	6,000	(75,600)
% Change from Original App	0.0%		(1.1%)	2.5%	(1.0%)